

ROSARIO MARIN
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Board Member
JULIE NAUMAN
Executive Officer

Memorandum

Date: November 26, 2008

To: Chip Skinner
Deputy Executive Officer
Victim Compensation Program

From: Amy Cheung, Chief
Office of Audits and Investigations

Subject: **Final Report – Review of Bill Determinations**

This report presents the results of the Office of Audits and Investigations review of bill determinations processed by headquarters staff for the period of October 1, 2007, through January 31, 2008.

Our review included a sample of 197 bills from a total of 6,027 bills, representing approximately 3% of the total population. Of the 197 bills reviewed, 126 bills were processed by headquarters staff and 71 bills were completed by the Auto-pay feature in CaRES. We examined the application within each sampled bill.

Our review did not include an assessment of the efficiency and effectiveness of the Victim Compensation Program's (VCP) operations. Rather, we only identified applications that contained bill determination issues.

Background

The Victim Compensation and Government Claims Board (VCGCB) administer several programs, one of which is the VCP. Through a claims process, the VCP reimburses eligible victims for their medical, mental health, funeral/burial, income/support, and other specified losses incurred as a direct result of a crime. Prior to reimbursement of expenses, VCP staff must review an application in detail to determine eligibility.

Objective, Scope, and Methodology

Our review objective was to determine whether bill determinations were recommended in compliance with applicable statutes, regulations, policies and procedures.

To accomplish our objective, we reviewed bills to determine whether:

- the application and bill data was entered into CaRES accurately;
- the bill determination was justified;
- all reimbursements/recovery were identified, verified, and applied correctly; and
- the quality assurance review process was accurate.

Information technology staff generated a report that contained 6,027 bills processed by headquarters staff for the period of October 1, 2007, through January 31, 2008.

We selected a statistical sample based on a 95% confidence level with a precision rate of 3% and an expected error rate of not over 5%. A total of 197 bills from a population of 6,027 were selected for review. Of the 197 bills reviewed, 126 bills were processed by headquarters staff and 71 bills were completed by the Auto-pay feature in CaRES.

Findings and Recommendations

Finding 1 – *Inaccurate bill determinations*

Although policies and procedures are in place, staff do not always recommend well-supported bill determinations. We reviewed 126 bills processed by headquarters staff and noted 21 bills with 30 determination errors, representing an error rate of approximately 17%. An inaccurate or not fully justified bill determination potentially raises the risk of the VCP allowing payments on claims while reducing available resources to other eligible bills for payments or reimbursements.

The following table describes the types of exceptions found:

Table 1:

<u>Finding Descriptions</u>	<u>Number of Exceptions</u>
1. Eligibility issues not addressed	4
2. No documentation/verification to support loss	11
3. Loss not eligible for compensation that resulted from:	
a) Duplicate bill payment	1
b) Loss is not incident related	2
c) Non-reimbursable coroner's charges	2
d) Non-reimbursable telephone charges	1
4. Reimbursements not verified or applied correctly to:	
a) Health insurance	3
b) Medi-Cal	3
5. Payment made to incorrect payee	1
6. Payment using incorrect mental health provider rate	1
7. Payment using incorrect income loss calculation	1
Total number of exceptions	30

Source: Auditors' Worksheets, Attachment 1

Government Code (GC) section 13951(e) allows the Program to pay only a victim's pecuniary loss defined as an economic loss or expense resulting from an injury to a victim that has not been and will not be reimbursed from any other source.

GC section 13954(a) requires verification of amounts paid or received by the victim or derivative victim, and any other pertinent information deemed necessary by the board.

GC section 13957(a)(1)(2) states in part that the board may reimburse the amount of medical or medical related expenses incurred by the victim as a direct result of the crime and may grant reimbursement of outpatient psychiatric, psychological, or other mental health counseling related expenses incurred by the victim as a direct result of the crime.

GC section 13957(a)(1)(D)(ii) Expenses for psychiatric, psychological, or other mental health counseling related services may be reimbursed only if the services were provided by a person who is licensed by the state to provide those services, or who is properly supervised by a person who is so licensed, subject to the board's approval and subject to the limitations and restrictions the board may impose.

GC section 13957.2 (a) states that the board may establish maximum rates and service limitations for reimbursement of medical and medical-related services and for mental health and counseling services.

GC section 27472 states that a coroners charge shall not be imposed in cases in which the coroner ascribes the death to the criminal act.

Policy and Resource Manual, Chapter 1, Section B, Your Decision-Making Resources, 1B2, directs staff to clearly document the reasons for the decisions made and to document every telephone call made or received on a claim.

Policy and Resource Manual, Chapter 5, Section B, Verifying Bills, 5B4, states that when a CMS 1500 is not available, information that must be obtained before processing the bill include provider Tax ID, CPT codes and Diagnosis.

Policy and Resource Manual, Chapter 6, Section E, Covered Mental Health Expenses, 6E1 & 6E2, states that family and conjoint therapy is paid at the individual rate on one claim.

Policy and Resource Manual, Chapter 9, Section B, Obtaining and Reviewing Documentation, 9B4, states that a victim must complete and sign the Relocation Worksheet, which provides general benefit information and guidelines. Under temporary lodging, expenses for telephone calls, parking and meal/room service are not reimbursable.

Recommendation

We recommend the VCP improve its bill determinations accuracy by evaluating the causes of improper bill determinations and use the results to develop and implement an action plan to prevent them from occurring. We also recommend the VCP emphasize the importance of reviewing current policies and procedures to staff to ensure that their recommendations are properly supported.

Finding 2 – *The VCP's Quality Assurance Review Process is ineffective in evaluating the quality of bill determination decisions*

The VCP's quality assurance team was ineffective in identifying inaccurate bill determinations. Of the 30 inaccurate bill determinations described in Finding 1, quality assurance staff reviewed 15 bills and agreed to all of the bill determination decisions. By

failing to detect inaccurate bill determinations, the VCP may potentially reimburse for expenses that are not eligible under the guidelines of the program.

GC section 13403(a) states that internal accounting and administrative controls are the methods through which reasonable assurances can be given that measures adopted by state agency heads to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. Maintaining an effective system of internal review is one of the elements of a satisfactory system of internal accounting and administrative control.

Recommendation

We recommend the VCP take steps to improve its review process, which could include reviewing a larger sample size of bills, assessing staff's abilities to perform this function, and increasing current training efforts.

Finding 3 – Inaccurate data entry in CaRES

Of the 126 bills reviewed, we found 28 instances in which application intake staff entered inaccurate or incorrect information into CaRES or did not send verification documentation. Although these errors had minimal impact on the applications we reviewed, the risk for overpayments tend to increase when inaccurate information is entered into CaRES or verification is not obtained.

The following table breaks down the number of exceptions of applications with incomplete or inaccurate information:

Table 2:

Description	Number of exceptions
1) Inaccurate filing status	4
2) Incorrect benefit level applied	2
3) Inaccurate applicant name or address	3
4) Representative not entered on CaRES	1
5) Verification documentation not sent for:	
a) employment insurance	9
b) public assistance	9
Total exceptions	28

Source: Auditors' Worksheets

GC section 13403(a)(3) requires agencies to maintain a system of authorization and recordkeeping procedures adequate to provide effective accounting control over expenditures.

Recommendation

To ensure that CaRES maintains and processes accurate and complete information, we recommend the VCP train or remind application intake staff to correctly input data into the system. We also recommend VCP remind application intake staff to request and follow up on all appropriate verification documentation.

Autopay and Other Issues

In addition to the 126 bills reviewed, we examined 71 bills that were processed by the Autopay feature in CaRES and found 29 exceptions. Please refer to Attachment 2 for a listing of the findings.

We also identified some other issues that were not part of our review scope or sample. Yet, we believe that these other issues are relevant and should be brought to management's attention. Please refer to Attachment 3 for a description of the findings.

Follow-up and Corrective Action

Our office will conduct a follow-up review six months from the date of this report. We will assess the progress of our recommendations at that time and perform another test on bill determinations.

Please note that this report is solely for management information. It is not intended to be and should not be used by anyone other than management.

If you have any questions regarding this review, please contact me at (916) 491-3875.

[ORIGINAL SIGNED BY]

AMY CHEUNG, Chief
Office of Audits and Investigations

AC:aj:2007/08-3

Attachments

cc: Julie Nauman
Tom O'Connor
JoAnn Goodwin